

Chapter 5:

Real Estate Factors

Introduction

The availability of appropriate real estate is the second essential component of the Clewiston Community Redevelopment Plan.

This chapter:

- Defines the current real estate problem and the shrinking property base for primary employers.
- Describes the real estate requirements for primary employers.
- Evaluates the demand for and supply of land to support primary employment.
- Compares the cost differentials between greenfield development and greyfield development.
- Identifies existing and potential developable properties.
- Discusses the role of housing as an element of economic redevelopment.

Clewiston's Real Estate Problem

The area now within the Clewiston CRA is approaching physical build-out with respect to greenfield real estate opportunities for primary employers to build on. A greenfield consists of farmland and open areas where there has been no previous industrial or commercial activity. However, with the decommissioning of the airport property, opportunities for greyfield redevelopment have opened up for primary employers to build. Greyfield development is the redevelopment of antiquated or underutilized commercial or industrial properties such as strip shopping centers, malls and office parks, not qualifying as brownfields.

Development of the Old Airport Industrial District properties is essential to the CRA's long term economic sustainability. Tax dollars supplied by commercial/industrial land use are needed to subsidize residential uses elsewhere in the CRA. Residential tax dollars rarely cover the entire cost of public services; in fact, they require more public services than their property taxes alone can support. Redevelopment of aging and obsolete buildings will provide the real estate (and tax increment dollars) necessary for the CRA to be rid of slum and blight, to remain economically strong and to maintain a high quality of life.

All economic development and redevelopment activities are essentially real estate transactions. As such, they respond to the same factors that affect the real estate market within a geographic area. Like any other commodity, the demand for and supply of a specific type of property affects its value. For all types of land use, the more central sites will be the most attractive. Investment always flows to locations with relative advantages in terms of cost and revenues where, other things being equal, rates of return will be highest. In the case of property development, capital moves away from locations where land and building costs are high to those where they are low, from locations where they are low to those where they are high: from undercapitalized projects (older housing or outmoded shopping strips etc.) to projects that command higher rents in the same location (condominiums, shopping malls, festival market places etc.).

The sale and purchase of real estate is driven by the assumption of highest and best use. Highest and best use is an appraisal concept that determines the use of a particular property likely to produce the greatest net return in the foreseeable future. This concept encourages property owners to seek out and develop the highest and best uses of their properties. Highest and best use encourages landowners to sell or redevelop their properties for uses that offer the highest short-term monetary gain, usually retail or high-end residential.

Determining highest and best use relative to the CRA's future is more complex. While both retail and high-end residential uses are necessary and desirable, they contribute little to the long-term health of the Community Redevelopment Area. Most retail uses pay relatively low wages and with the exception of some tourist-oriented businesses, they do not import money into the community. Retail chains like Wal-Mart, Target or Best Buy that are headquartered outside the state may actually siphon money away. High end residential uses, meanwhile, tend to attract residents who desire more public services than their property taxes alone can support.

For land with the proper location or spatial characteristics, the highest and best use of land may be industrial or office. Office or industrial uses can accommodate primary employers who pay high wages, import money into the community, and require comparatively few public services. However, the short-term economic benefit to the landowner is lower than for other uses. These facts present a quandary for landowners and buyers.

The problem facing the CRA is that the short-term monetary value of the real estate to property owners is inversely related to its long-term economic benefit to the CRA. Market forces will continue to drive property owners to position the sale of their properties for the highest possible price.

Real Estate Supply and Demand

Working with the city, and through land use planning and zoning, a supply of land dedicated to primary employers must be kept within the CRA to maintain sustainability. Comprehensive plan changes and rezoning amendments requested by property owners

attempting to increase the monetary value of their land by changing its use may shrink the amount of usable land for primary employers. Property owners will argue that these land use changes are beneficial, because the new land use produces less impact on the surrounding environment, has less density and intensity and are less objectionable to neighboring property owners.

The dwindling amount of land suitable for primary employers means the loss of potential for high wage employment opportunities. This can mean an exodus of workers from the community to other communities where opportunities for higher wage jobs exist. This of course results in a shrinking tax base. The erosion of the economic health will lead directly to a decreased quality of life for the community leading to slum and blight conditions within a few short decades.

Greenfield vs. Redevelopment Costs

Since land development and redevelopment are real estate transactions, they will occur only when a reasonable expectation of profit for the investors can come about. Redevelopment and greenfield development are qualitatively different, and each has distinct cost considerations. Development companies tend to seek out greenfield projects simply because the development process is easier and less expensive. Greenfield sites typically require minimal site clearance, have less burdensome site conditions and are easier to assemble and purchase than redevelopment site.

Additional expenses can include remediation, assembly of a viable site, lengthy permitting processes, demolition of obsolete structures and infrastructure, and site retrofitting for new infrastructure. Because redevelopment projects normally occur in built-up areas, neighbors sometimes mount opposition to the project and time/money must be invested to overcome the opposition or modify the site design to achieve a compromise. The added costs are described as a cost differential between greenfield development and redevelopment.

The costs associated readying a greyfield for development can be two and a half times that of readying the same sized greenfield. Therefore the greyfield redevelopment must generate a resale or rental value that is two and a half times greater than the greenfield development. Often greyfield redevelopment is not financially feasible unless the costs are offset by some form of financial mitigation. In order to avoid losing primary employers to other places with ample greenfield, the CRA will need to provide incentives to assist the development industry in absorbing the additional costs of redevelopment for industry and office uses.

The redevelopment costs discussed above are particularly evident along Hwy 27 where tourist accommodations have traditionally been located. The cost of greyfield development can discourage hospitality investment since tourism cannot typically support the costs of upgrades or new construction. The cost of land, insurance, property taxes, and overhead may offset revenues to the point that the business is not solvent as a going concern. It is also clear that it will be necessary to increase densities and intensities

for residential purposes within the CRA to accommodate population and employment growth.

The stakeholders put forth a number of issues facing the CRA that currently prevent it from reaching its full potential as a thriving and growing community. These issues, defined as constraints, must be addressed so that the many opportunities existing in the area can be reinforced and strengthened. The following is derived from the consultants and citizens during the workshops and stakeholder interviews:

Constraints

- Low land elevation and drainage requirements;
- Lack of sidewalks not enough neighborhood retail and restaurants;
- Streets not well lit;
- Absence of a strong cluster of retail in a neighborhood center;
- Absence of mixed use.

Opportunities

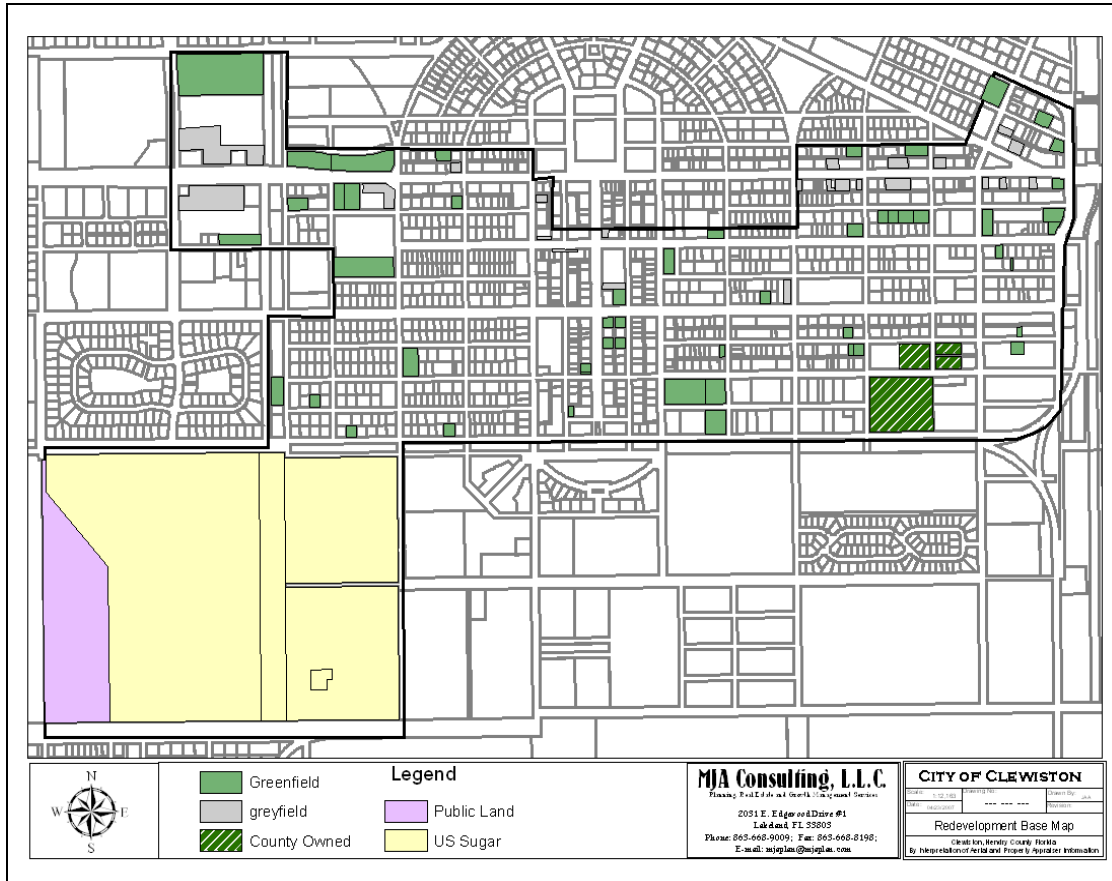
- Turn canals into attractive waterways with pedestrian and bicycle paths to connect neighborhoods;
- Streetscape enhancements such as light fixtures, signage, street furniture and trees;
- Infill developments possible;
- Opportunity for higher density residential living options particularly for seniors;
- Mixed use and office buildings with retail on the ground floor in the central business district;
- Large scale land available for light industrial and commercial development;
- Gateway entrances to signal arrival to CBD and neighborhoods;
- Boulevard streets with landscaped medians;
- Opportunities for remodeling homes and ongoing maintenance;
- New neighborhood associations.

A major component of the Community Redevelopment Planning process has been the identification of locations where this higher density and intensity redevelopment can occur. The categories of land considered most suitable include:

- Lands Designated for Industrial Use: industrial land uses are especially suitable for primary industries;
- Existing employment district: locations where primary and secondary employer already concentrated have demonstrated their suitability for these land uses;
- Underutilized lands: these properties have appraised land values exceeding the value of the improvements to the land. They are among the first to undergo market-driven redevelopment, particularly larger contiguous tracts such as mobile home parks;
- Surplus Public lands. Many local governments own lands acquired through tax lien, donations, or other methods that are not essential for public purposes and have no environmental or recreational value.

Land that meets one or more of the criteria such as underutilized parcels that are also designated for industrial use or surplus public property in existing employment districts can be especially useful to redevelopment efforts. Properties that can be considered potentially suitable for high density and intensity redevelopment were compiled into a **Redevelopment Base Map** Shown in Figure 5-1.

Figure 5.1
Redevelopment Base Map



Characteristics of Redevelopment

When considering the real estate factors that will affect the Clewiston CRA, location is not the only important variable. How the deals are put together is also very important. Whether or not developers like it, the city is always a silent partner in any development within the city limits. City services like transportation, utilities, and the school system all affect any type of development.

Development or redevelopment that is initiated and financed entirely by a private developer is known as laissez-faire development. Laissez-faire is a French term for “hands off” and often refers to free market development with a minimum of government influence. Laissez-faire development occurs when a party seeks to improve a site or building on a privately owned property with no public funds or government assistance or incentives. Independent redevelopment occurs in disparate locations, wherever real estate opportunities and favorable market conditions coincide, rather than in a preplanned fashion. Such projects may or may not provide a benefit to the CRA; they are designed to earn a profit for the owner or developer, not necessarily to fulfill a public purpose. Over

time, the cumulative result of developer's individual business decisions is often unplanned, uncoordinated growth. Therefore it is important for the CRA to guide independent redevelopment through the use of the redevelopment plan, land development regulations and using investment of TIF funds to realize the community's vision.

Partnered Redevelopment:

Even when redevelopment is guided by the City of Clewiston comprehensive plan, some projects that would be beneficial to a community may be too costly or risky for a private developer to undertake alone. Therefore the CRA may choose to partner or facilitate partnered redevelopment, in which the CRA may contract with a developer to provide a project that fulfills a public purpose.

In a partnered redevelopment project, the CRA may contribute land, funding, assumption of financial risk, and/or other incentives to the project. This gives the CRA a great deal of control over the final product. These projects are developed in fulfillment of the Community Redevelopment Plan. A principal benefit is that successful partnered redevelopment tends to serve as a catalyst for additional, independent redevelopment in the area.

Categories of Redevelopment

Rehabilitation/Adaptive Reuse

Rehabilitation is the restoration of a property currently in a dilapidated or substandard condition for human habitation or use, without drastically changing the plan, form, or style of architecture. Adaptive reuse is the development of a new use for an older building or for a building originally designed for a special or specific purpose. Although many rehabilitation projects preserve the original configuration and appearance of the building, more extensive alterations (colloquially known as "gut rehabs") are also common. In some cases, the structure may be expanded or partially reconstructed. The use may or may not change.

Adaptive reuse is a specialized form of rehabilitation in which the structure is modified to accommodate a new use, but the original architectural features are deliberately retained. It is commonly used as a method of preserving historic buildings while retaining their marketability. In Florida, many residential and commercial structures constructed during the mid-20th century are being rehabilitated, modernized and air conditioned to make them marketable. Unlike many communities in Florida, the Clewiston CRA has very few buildings with the qualities necessary for rehabilitation. The 1997 Historic Properties Survey of Clewiston, Florida lists only about a dozen buildings within the CRA suitable to be placed in the National register of historic buildings. These buildings are as follows:

- 107 N. Francisco Street;
- 107 N. Francisco Street The First Bank of Clewiston Building;

- 113 N. Francisco Street Blates Dept. Store;
- 310 N. Francisco Street Bailey House;
- 801 N. Francisco Street Clewiston Motor Company/ Kelly Tractor;
- 322 N. San Pedro Street T.B. Shelly Duplex;
- 100 E. Sugarland Highway Dixie Crystal Theatre;
- 543 E. Sugarland Highway Hendry County Motors;
- 727 E. Sugarland Highway Glatex Movie Theatre;
- 729 E. Sugarland Highway Clewiston Supply Company;
- 841 E. Sugarland Highway Murray Motor Company;
- 100 E. Sugarland Highway Espenlaub Garage and Apartments

Infill Development

Infill development is the process of developing new housing or other uses on scattered vacant sites in a built-up area. Many infill sites are small, marginal parcels with environmental or other constraints that caused them to be passed over when the surrounding greenfield land was first developed. Others may have been tied up by financial or legal complications that affected their marketability. Still others may have been held by their owners for agricultural use or long-term speculation.

Infill is technically a type of new development, but it occurs within the same context as redevelopment and faces many of the same challenges and constraints. As with redevelopment, attention to the character of the surrounding community is a key component for ensuring that the infill development fits the existing context and gains acceptance from neighbors.

One-for-One Replacement

When a property owner or developer replaces an existing building with one of similar size, scale or use, it is known as one-for-one replacement. A common example is the replacement of a small, outdated single-family house with a larger, more up-to-date dwelling. This type of redevelopment is also becoming more common for smaller multifamily residential uses.

Because the land use does not change in one-for-one replacement, this category of redevelopment is constrained less by land development regulations and more by the limitations of lot size and geometry and the demands of the market. However, some communities have taken issue with replacement redevelopment that is strikingly different from the surrounding development in style or scale. This issue can be addressed through design guidelines governing the size and appearance of what can be built. Guidelines require detailed neighborhood planning to define their criteria and parameters.

A current trend in Clewiston is the widespread creation of town-homes and other small multifamily projects, such as those located off of Lopez Street. As the market takes advantage of latent capacity for density and intensity, the CRA may transition away from the low-density, low-intensity suburban character that has been maintained in past decades. Since the trend toward higher densities and intensities will likely continue for the foreseeable future, it is vital that the CRA Board recognize and address this transition.

Increases in Density, Intensity, and/or Mix of Land Uses

Despite the latent redevelopment capacity discussed above, there is still demand for many projects that exceed established development limits. Because the process of acquiring additional density, intensity, or mix of land uses requires public approval, the public sector has the opportunity to exercise greater control over what is built. Such approvals may be used as incentives tied to redevelopment of desired types or in specific locations, or may be granted in conjunction with partnered redevelopment projects.

This category of redevelopment will be essential to accommodating future population and employment growth in the county. However, its use should be guided by the Community Redevelopment Plan and design review. Increasing densities and intensities in designated nodes, corridors, and districts, while protecting the character of existing neighborhoods, will help maintain a high quality of life as the CRA continues to evolve.

Scales of Redevelopment

Small-Scale Residential Redevelopment

Small-scale residential redevelopment is typically the product of independent individuals, whether for the purpose of creating a personal dwelling or as an investment for resale or rental purposes. The CRA may offer limited financial or regulatory assistance in targeted neighborhoods. There are currently about 900 dwelling units within the CRA.

Residential rehabilitation is perhaps the simplest and most common type of small-scale redevelopment. In such instances, individual homeowners, often working with nominal financial investments and a great deal of “sweat equity,” restore single-family or small multifamily dwellings. This is the most frequent type of one-for-one replacement and may be suitable for façade or landscaping grants.

Small-scale residential redevelopment has the potential to change the look and feel of existing neighborhoods if the altered dwellings are dramatically different in size, architectural style, or configuration from surrounding homes. These issues are most commonly seen with residential replacement, pejoratively referred to as “teardowns” in neighborhoods where they are unwelcome. Neighborhood-specific design guidelines that strictly govern the size and appearance of any housing alterations can be used to minimize these issues.

The results of a visual preference survey conducted as part of the public involvement process revealed that the following building types are not desired by citizens within the CRA. As it is difficult to get consensus on what is beautiful, the MJA Consulting Visual Preference Survey seeks consensus on what is unacceptable.

Illustrations from The Visual Dictionary of American Domestic Architecture (1994) by Rachel Carley (Henry Holt and Company, Publishers ISBN 0-8050-4563) are used to determine the types of buildings which were found to be unacceptable for the City of Clewiston. This information can be used as the basis of neighborhood-specific guidelines as mentioned above.

- Modernism (pgs. 253, 254, 256, 257).
- Postmodern (pgs. 258, 259, 260)
- Modern (pp. 253, 254, 256, 257)
- Moderne (pgs. 226, 227)
- Futuristic (pgs. 248, 249, 250)
- Economic Small House (pgs. 339, 241)
- Adirondack (pgs. 170, 173)
- A-Frame (pg. 229)
- Shingle (pgs. 163, 164)
- Stick style (pgs. 150, 151)
- Spanish Territorial (pgs. 128, 130, 131)
- Box and Strip (pg. 126)
- Fachwerk (pg. 124, 125)
- Shotgun (pg. 116)
- Creole/Cracker (pgs. 112, 115)
- Prefab housing (pgs. 231, 232, 233)

Other Small-Scale Redevelopment

Other types of small-scale redevelopment represent a step up in complexity from simple restoration or replacement. The cost tends to be somewhat greater, although it is generally within the reach of an individual, a single contractor, or a small-scale developer. These efforts may involve the rehabilitation of older nonresidential or large multifamily buildings, possibly including adaptive reuse of historic structures. They are usually treated as investments for resale or rental purposes, rather than for personal use. These projects are often referred to as gentrification.

Such projects frequently require waivers of current regulations, such as those for on-site parking, storm water retention, setbacks, or height. Because these small-scale entrepreneurial efforts can help spur the revitalization of nonresidential districts, the CRA Board may find it worthwhile to offer financial or regulatory incentives to projects meeting appropriate criteria. As with small-scale residential redevelopment, design guidelines are an effective way to ensure that redevelopment projects are in harmony with the character of the surrounding development.

Community-Scale Redevelopment

This type of redevelopment is significantly larger and more complex than small-scale, and is much more likely to be partnered. The primary focus may be on residential neighborhoods, commercial or mixed-use corridors, or some combination thereof. A mix of rehabilitation, infill, and other redevelopment is typically pursued. Public investments in infrastructure and amenities are often made, and select partnered redevelopments may be undertaken to provide examples and anchors for private redevelopment. Special financing mechanisms such as the tax increment financing permitted in CRA may be employed.

Housing to Support Employment

Residents seek quality housing that is large enough to accommodate their families, close to their places of employment, and within easy reach of goods, services, and amenities. The lack of housing affordability detracts from the CRA's attractiveness to primary employers who might otherwise consider relocating or expanding here. New housing units will be required and at least some of these units can be expected to replace older, obsolete dwellings that are currently part of the CRA housing stock.

Housing Challenges

The best way to meet housing and economic development needs is to facilitate new housing construction in proximity to employment districts. It should be noted that it is not the intention of the Community Redevelopment Plan to sacrifice land suitable for primary employers to create this housing. Viable industrial properties, for example, should not be converted to residential use. Such conversions may individually affect only small parcels of land, but they establish a precedent that could lead to a significant loss of the limited remaining land in the CRA that can accommodate primary employers.

The Community Redevelopment Agency should encourage and if necessary create incentives for developers to find appropriate opportunities to locate housing near employment. To assist with this process, criteria should be established to screen existing industrial properties for viability. Parcels that are determined to be too small, inappropriately located, or otherwise unsuited for use by primary employers could be considered for conversion to residential use.

Housing in or near employment districts should also be designed in such a way that it is both compatible and integrated with surrounding uses. Failure to design for compatibility can lead to conflicts between residential and nonresidential uses, particularly industrial. A fortunate coincidence of geography has the railway right-of-way buffering much of the Industrial lands in the south west of the CRA from residential areas. These conflicts decrease the quality of life for the affected residents, and may create pressure for elimination of industrial sites. Standards for traffic circulation, visual and noise buffering, and other potential concerns should be created to minimize conflicts between residential uses and primary employers.

Other challenges to building housing in proximity to employment districts include:

- Acquisition of parcels with obsolete structures. This challenge includes site clearance, remediation, and retrofitting of utilities.
- Economic feasibility of residential redevelopment. The high cost of redevelopment often necessitates higher densities and mixed residential and commercial uses to make such ventures feasible.
- Viability of aging and declining neighborhoods. These locations may discourage new investment near employment areas.
- Acceptability of housing variety and mixed-use redevelopment. A historic lack of high-quality alternatives has led many residents to hold an automatic preference for detached single-family homes at suburban densities, and to be distrustful of other types of housing.

Best housing practices in Florida that have been identified by Reid Ewing in *Best Development Practices* (1996) include:

1. Offer “life cycle” housing, like allowing “granny flats” behind family homes.
2. Achieve an average net residential density of six to seven dwelling units per acre.
3. Use cost effective site development and construction practices.
4. Design in energy saving features.
5. Supply affordable single family homes for moderate income households.
6. Supply affordable multifamily and accessory housing for low income housing households.
7. Tap government housing programs to broaden and deepen the housing/income mix.
8. Mix housing to the extent the market will bear.

Strategies to Meet Housing Challenges

To meet these challenges, a variety of housing strategies that should be pursued. Those applicable to CRA implementation efforts include:

- Sponsoring and promoting urban density housing. New examples of successful, high-quality housing and mixed-use development must be created

to demonstrate economic feasibility and encourage acceptability among the public.

- Assembling and inventorying housing sites. Public/private land assembly agreements can facilitate the assembly of land suitable for new housing. The public sector would enter into agreements with real estate brokers for the purpose of attaining listings or option agreements for the sale and purchase of the parcels. Following assembly, plans and bids could be solicited from homebuilders, based on specifications provided by the CRA.
- Maintaining quality neighborhoods. A comprehensive property maintenance and code enforcement program may be required.
- Anchoring employment districts with public investment. Attractive, viable employment districts are critical to the CRA's economic future. A well-thought-out strategy for planning and public investment for these districts is essential.
- Facilitating neighborhood renewal near employment districts. Regulatory mechanisms that can promote and facilitate neighborhood renewal proximate to employment districts include flexible zoning as a redevelopment incentive; federal, state, and local financial incentive programs; and a more expansive use of community redevelopment area plans and tax increment financing.
- Specific strategies that can be used to encourage the creation of housing that meet the needs of a broad range of residents. A CRA-sponsored housing study may reveal some solutions.

Conclusions

As the CRA approaches build-out, the supply of land designated to accommodate primary employers will shrink. This trend can be exacerbated by comprehensive plan and rezoning amendments requested by property owners to increase the short-term profit potential of their land, largely by conversion to retail and high-end residential use.

Without well-located, buildable land, the CRA cannot effectively attain sustainability. To support a robust local economy, redevelopment efforts must focus on maintaining adequate real estate to meet the needs of primary employers and other uses that will benefit the community.

Some redevelopment projects preferred by the community may not be economically feasible for developers acting alone. It is estimated that a typical redevelopment project must generate a resale or rent value that is two and half times that of a comparable greenfield site in order to earn an equivalent profit. Therefore, for some desired types of redevelopment the CRA Board may need to offer financial or regulatory incentives to assist developers in absorbing the additional costs.

While redevelopment incentives may not necessarily be tied to specific locations, it is beneficial to identify and market a range of available areas that might be suitable for primary employers

Because all redevelopment is not the same, it is useful to have a vocabulary to describe the different types that exist. Redevelopment can be identified according to categories (laissez-faire, rehabilitation/adaptive reuse, infill, one-for-one replacement, and redevelopment that increases the allowable density, intensity and/or mix of land uses), and scales (small-scale residential, other small-scale, and community-scale). It is important for communities to identify desired types of redevelopment and respond to their unique needs.

Finally, the increased housing costs that accompany build-out represent a significant challenge to future economic prosperity. If a high quality of life is to be maintained in the CRA, these issues must be addressed through the deliberate creation of varied residential options available to a range of income levels. This includes enabling the creation of housing in or near employment districts. Criteria should be established for locating residential uses in proximity to employers, minimizing conflicts between adjacent uses and protecting land suitable for primary employers from conversion to residential use. Should redevelopment call for the relocation of people temporarily or permanently replacement housing will be provided according to Florida Statute. It is expected that the developers who are provided with partnering incentives will remedy any housing deficit therefore this plan does not specifically address low and moderate income housing.